

REACHING FOR NEW HORIZONS



3rd QUARTERLY REPORT 2015-16

SHIELD CORPORATION LIMITED
(AN ISO 9001 CERTIFIED COMPANY)

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"To be what we are,
and to become what we are capable of becoming,
is the only end of life."
- Robert Louis Stevenson

COMPANY INFORMATION

Board of Directors

Mr. Ebrahim Qassim
Mr. M. Haroon Qassim
Mr. Vali Muhammad A. Habib
Mr. Pir Muhammad
Mrs. Saadia Butt Naveed
Mr. Syed Imran Chishti
Mr. Muhammad Salman Qassim

Chairman
Chief Executive
Director
Director
Director
Director
Director

Audit Committee

Mr. Pir Muhammad
Mr. Vali Muhammad A. Habib
Mr. Syed Imran Chishti

Chairman
Member
Member

Human Resource & Remuneration Committee

Mr. Vali Muhammad A. Habib
Mr. M. Haroon Qassim
Mr. Syed Imran Chishti

Chairman
Member
Member

Company Secretary & CFO

Mr. M. Zaid Kaliya

Head of Internal Audit

Mr. M. Shakeel Dhanani

Legal Advisors

M/s. Lubna Pervez & Associates

External Auditors

Moochhala Gangat & Co., Chartered Accountants

Internal Auditors

A.F. Ferguson & Co., Chartered Accountants

Bankers

Meezan Bank Limited
Bank Al-Habib Limited - Islamic Banking
Habib Metropolitan Bank Limited

Registrar & Share Registration Office

Central Depository Company of Pakistan
CDC House, Shahr-e-Faisal, Karachi

Registered Office

509, Business Avenue, Block 6, P.E.C.H.S.,
Shahr-e-Faisal, Karachi

Factory

Plot No. 368/4 & 5, Landhi Industrial Area
Baldia Road, Karachi.

Email & URL

mail@shield.com.pk
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DIRECTORS' REVIEW

On behalf of the Board of Directors, it is my pleasure to present the un-audited accounts for the period ended March 31, 2016.

	March 2016 (Rupees)	March, 2015 (Rupees)
Financial Summary		
Sales	1,184,483,467	947,375,506
Profit after taxation	48,265,995	35,090,379
Un-appropriated profit brought forward	178,271,340	151,048,887
Profit available for appropriation	226,537,335	186,139,266

Sales for the nine months recorded an increase of 25.03% over the same period last year, from Rs. 947 million to Rs. 1,184 million. Your management is doing its best to achieve aggressive and sustainable growth in sales in current financial year.

The Board of Directors would like to express their gratitude to all employees for their committed efforts, loyalty and dedications.

On behalf of the Board



M. Haroon Qassim
Chief Executive

Karachi: April 29, 2016

CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2016

	Note	(Un-Audited) March 31, 2016 (Rupees)	(Audited) June 30, 2015 (Rupees)
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	351,185,346	353,465,199
Intangible assets - software		136,556	546,214
Long term deposits		4,557,300	4,557,300
Long term loans and advances		1,453,054	616,127
		<u>357,332,256</u>	<u>359,184,840</u>
Current Assets			
Store and spares		9,265,058	7,362,949
Stock-in-trade		286,093,007	246,771,432
Trade debtors - unsecured, considered good		88,047,286	3,576,379
Loans and advances		10,528,320	6,368,377
Deposits and short term prepayments		1,312,809	402,250
Taxation		46,671,042	59,179,961
Cash and bank balances		1,292,711	744,995
		<u>443,210,233</u>	<u>324,406,343</u>
Total Assets		<u><u>800,542,489</u></u>	<u><u>683,591,183</u></u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised Capital 15,000,000 (June 30, 2015: 15,000,000) ordinary shares of Rs. 10/- each		<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed & paid-up capital 3,900,000 (June 30, 2015: 3,900,000) ordinary shares of Rs. 10/- each		39,000,000	39,000,000
Reserves		65,000,000	65,000,000
Accumulated profit		226,537,335	197,771,340
		<u>330,537,335</u>	<u>301,771,340</u>
Non-Current Liabilities			
Deferred liabilities		79,528,307	86,919,599
Due to directors		30,500,000	30,500,000
Long term financing - secured		3,280,492	16,226,230
		<u>113,308,799</u>	<u>133,645,829</u>
Current Liabilities			
Trade and other payables		243,161,705	130,989,277
Accrued mark-up on bank finances		979,546	1,592,132
Current portion of long term financing		18,443,511	30,278,066
Short term bank finances - secured		74,656,593	68,689,539
Provision for taxation		19,455,000	16,625,000
		<u>356,696,355</u>	<u>248,174,014</u>
Contingencies and Commitments	5	-	-
Total Equity and Liabilities		<u><u>800,542,489</u></u>	<u><u>683,591,183</u></u>

The annexed notes form an integral part of this condensed interim financial information.



M. Haroon Qassim
Chief Executive



Vali Muhammad A. Habib
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2016 (Un-Audited)

	Note	For the Third Quarter ended		For the Period ended	
		March 31, 2016 (Rupees)	March 31, 2015 (Rupees)	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
Net sales	6	376,915,314	304,587,631	1,184,483,467	947,375,506
Cost of sales		(243,696,687)	(209,052,883)	(805,631,530)	(654,332,886)
Gross profit		133,218,627	95,534,748	378,851,937	293,042,620
Selling and distribution expenses		(107,115,731)	(62,796,532)	(284,311,583)	(203,013,576)
Administrative and general expenses		(10,342,818)	(9,640,557)	(30,821,611)	(28,741,273)
Other operating expenses		(1,048,112)	(1,791,740)	(4,095,559)	(3,994,077)
Other operating income		665,943	506,673	1,673,699	1,402,253
Operating profit		15,377,909	21,812,592	61,296,883	58,695,947
Finance costs		(1,544,246)	(4,190,264)	(6,359,693)	(12,874,762)
Profit before taxation		13,833,663	17,622,328	54,937,190	45,821,185
Tax on		(1,806,890)	(5,080,000)	(6,671,195)	(10,730,806)
Profit after taxation		12,026,773	12,542,328	48,265,995	35,090,379
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		12,026,773	12,542,328	48,265,995	35,090,379
Earning per share - basic and diluted		3.08	3.22	12.38	9.00

The annexed notes form an integral part of this condensed interim financial information.



M. Haroon Qassim
Chief Executive




Vali Muhammad A. Habib
Director

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2016 (Un-Audited)

	For the Period ended	
	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
Cash Generated from Operations		
Profit before taxation	54,937,190	45,821,185
Adjustments for:		
Depreciation	27,602,357	28,052,479
Amortization	409,658	409,658
Provision for gratuity	8,398,486	7,681,330
(Gain) / Loss on disposal of property, plant & equipment	23,952	598,093
Finance costs	6,359,693	12,874,762
Profit before working capital changes	42,794,146	49,616,322
(Increase) / decrease in Current Assets:		
Stores and spares	(1,902,109)	3,096,311
Stock -in -trade	(39,321,575)	4,712,924
Trade debtors	(84,470,907)	(12,281,108)
Loans and advances	(4,159,943)	(1,080,278)
Deposits and short term prepayments	(910,559)	(912,596)
	(130,765,093)	(6,464,747)
Increase / (decrease) in Current liabilities		
Trade & other payables	112,052,077	44,275,120
Cash generated from / (used in) operations	79,018,320	133,247,880
Payments for:		
Gratuity	(3,082,850)	(1,368,020)
Long term deposits	-	(20,000)
Long term loans and advances	(836,927)	1,490,351
Finance costs	(6,972,279)	(14,286,617)
Taxes	(4,039,204)	(4,963,643)
Net cash from operating activities	64,087,060	114,099,951
Cash Flow From Investing Activities		
Fixed capital expenditure including capital work-in-progress	(25,418,556)	(30,303,913)
Sales proceeds from disposal of property, plant & equipment	72,100	980,181
Net cash used in investing activities	(25,346,456)	(29,323,732)
Cash Flow From Financing Activities		
Dividend paid	(19,379,649)	(5,823,273)
Long term financing - diminishing musharakah receipts	-	16,402,462
Long term financing - diminishing musharakah payments	(24,780,293)	(17,899,310)
Net cash generated from / (used in) financing activities	(44,159,942)	(7,320,121)
Net (decrease) / increase in cash and cash equivalents	(5,419,338)	77,456,098
Cash and cash equivalents at the beginning of the period	(67,944,544)	(131,503,056)
Cash and cash equivalents at the end of the period	A (73,363,882)	(54,046,958)
A. Cash and Cash Equivalents		
Cash and bank balances	1,292,711	5,032,322
Short term bank finances	(74,656,593)	(59,079,280)
	(73,363,882)	(54,046,958)

The annexed notes form an integral part of this condensed interim financial information.


 M. Haroon Qassim
 Chief Executive


 Vali Muhammad A. Habib
 Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED MARCH 31, 2016 (Un-Audited)

	Share Capital (Rupees)	Capital Reserve Share Premium (Rupees)	Revenue Reserve		Total (Rupees)
			General Reserve (Rupees)	Accumulated Profit (Rupees)	
Balance as at July 01, 2014	39,000,000	10,000,000	55,000,000	156,898,887	260,898,887
Dividend for the year June 30, 2014 - Final - @ Rs. 1.50 per share	-	-	-	(5,850,000)	(5,850,000)
Total comprehensive income for the period ended March 31, 2015	-	-	-	35,090,379	35,090,379
Balance as at March 31, 2015	39,000,000	10,000,000	55,000,000	186,139,266	290,139,266
Balance as at July 01, 2015	39,000,000	10,000,000	55,000,000	197,771,340	301,771,340
Dividend for the year June 30, 2015 - Final - @ Rs. 5.00 per share	-	-	-	(19,500,000)	(19,500,000)
Total comprehensive income for the period ended March 31, 2016	-	-	-	48,265,995	48,265,995
Balance as at March 31, 2016	39,000,000	10,000,000	55,000,000	226,537,335	330,537,335

The annexed notes form an integral part of this condensed interim financial information.



M. Haroon Qassim
Chief Executive



Vali Muhammad A. Habib
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED MARCH 31, 2016 (Un-Audited)

1 Status and Nature of Business

Shield Corporation Limited (the Company) was incorporated in Pakistan on January 10, 1975 and is quoted on Pakistan Stock Exchange in Pakistan. The registered office of the Company is situated at 509, Business Avenue, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi. The company is mainly engaged in the manufacturing, trading and sales of oral and baby care products.

2 Basis of Preparation

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended June 30, 2015.

3 Significant Accounting

3.1 Policies

Accounting policies adopted for the preparation of these condensed interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2015.

3.2 Accounting estimates and judgements

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of this condensed interim financial information, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the audited annual financial statements for the year ended June 30, 2015.

Initial application of standards, amendments or an interpretation to existing standards

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning from July 01, 2015 but are not considered to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

4 Property, Plant & Equipment

		(Un-audited) Mar. 31, 2016 (Rupees)	(Audited) June 30, 2015 (Rupees)
Operating fixed assets - at net book value	4.1	345,215,036	352,359,199
Capital work in progress - at cost		5,970,310	1,106,000
		<u>351,185,346</u>	<u>353,465,199</u>
4.1 Movement in operating fixed assets:			
Opening - at net book value		352,359,199	353,153,699
Add: Additions during the period	4.2	20,554,246	38,681,379
		372,913,445	391,835,078
Less: Depreciation charged during the period		(27,602,357)	(37,816,556)
Less: Disposals during the period - at net book value	4.2	(96,052)	(1,659,323)
		(27,698,409)	(39,475,879)
Closing - at net book value		<u>345,215,036</u>	<u>352,359,199</u>

4.2 Details of additions and disposals to operating assets are:

	Additions (at cost)		Disposals (at net book value)	
	Mar. 31, 2016 (Rupees)	June 30, 2015 (Rupees)	Mar. 31, 2016 (Rupees)	June 30, 2015 (Rupees)
Factory Building	-	520,418	-	-
Plant & machinery	20,029,338	35,477,312	-	1,291,384
Furniture & fixtures	-	1,001,200	-	18,282
Office equipments	169,968	542,460	22,013	213,782
Computer equipments	354,940	1,139,989	17,221	135,875
Vehicles	-	-	56,818	-
	<u>20,554,246</u>	<u>38,681,379</u>	<u>96,052</u>	<u>1,659,323</u>

5 Contingencies & Commitments

5.1 Contingencies

5.1.1 Contingent liability in respect of guarantees and counter guarantees is Rs. 7.64 million (June 30, 2015: Rs. 7.64 million). Out of this Rs. 5 million (June 30, 2015: Rs. 5 million) represents guarantee provided in relation to defending a trade mark case in the High Court for Rs. 42 million (June 30, 2015: Rs. 42 million). The management is hopeful that case will be decided in Company's favour, as such no provision has been made in these financial statements.

5.1.2 The Company has filed a constitutional petition in High Court of Sindh against registration of FIR by tax authorities for alleged inadmissibility of input tax on the ground that the suppliers were not bonafide suppliers amounting to Rs. 1.3 million (June 30, 2015: Rs. 1.3 million). The honourable High Court Sindh in its judgement has given detailed guideline to FBR determining the procedure to follow in this case. The matter is pending with Special Judge of Custom Court. The management based on entity's legal counsel is hopeful that the case will be decided in Company's favour and hence no provision has been made in these financial statements.

5.1.3 The Company has issued post dated cheques in favour of collector of customs amounting to Rs. 6.06 million (June 30, 2015: Rs. 6.06 million) under SRO 565 (I)/2006 dated June 5, 2006 for the reduction of duty as an indemnity guarantee. The collector of customs will refund these cheques upon satisfactory compliance of the requirements of SRO.

5.2 Commitments

5.2.1 The Company has letter of credit commitments for purchases amounting to Rs. 63.43 million (June 30, 2015: Rs. 27.98 million).

5.2.2 The Company has letter of credit and other commitments for capital expenditures amounting to Rs. 4.54 million (June 30, 2015: Rs. 16.72 million)

5.2.3 The Company has commitments in respect of Rent of Diminishing Musharakah as follows:

	(Un-audited) Mar. 31, 2016 (Rupees)	(Audited) June 30, 2015 (Rupees)
Later than one year but not later than three years	53,113	700,014
Not later than one year	901,414	3,066,242
	<u>954,527</u>	<u>3,766,256</u>

6 Net sales

	For the period Jul-Mar., 2016 (Rupees)	For the period Jul-Mar., 2015 (Rupees)
Sales - local	1,438,338,382	1,136,231,181
Discounts	(46,034,793)	(28,349,838)
	<u>1,392,303,589</u>	<u>1,107,881,343</u>
Sales tax and excise duties	(210,877,149)	(166,133,432)
	<u>1,181,426,440</u>	<u>941,747,911</u>
Sales - export	3,057,027	5,627,595
	<u>1,184,483,467</u>	<u>947,375,506</u>

7 Transactions with related parties

Related parties comprise of associated undertakings, employees provident fund, directors and key management personnel of the Company.

There are no transactions with key management personnel other than under the terms of employment. Details of transactions with related parties during the period were as follows:

Relationship	Nature of transactions	For the period Jul-Mar., 2016 (Rupees)	For the period Jul-Mar., 2015 (Rupees)
Associated company	Sale of goods	1,183,571,668	906,667,802
Staff retirement funds	Contribution to employees provident fund	3,160,290	2,676,875

8 Authorization

8.1 This condensed interim financial information was authorised for issue on April 29, 2016 by the board of directors of the Company.

9 General

9.1 Figures have been rounded off to the nearest rupee.

M. Haroon Qassim
Chief Executive

Vali Muhammad A. Habib
Director



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